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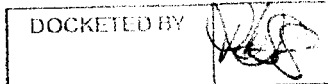
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Arizona Corporation Commission ARIZONA CORPORATION COMMISSION

DOCKETED

NOV - 2 2010

November 2, 2010



RE: ACC Policy Statement regarding Utility Disincentives to Energy Efficiency and Decoupled Rate Structures, Docket Nos. E-00000J-08-0314 and G-00000C-08-0314

Dear Colleagues and Parties:

First, I'd like to thank the Chairman, her Policy Advisor Giancarlo Estrada and staff for their hard work on this complex issue. The depth and breadth of the workshops and the quick turnaround on a draft are a testament to Chairman Mayes' dedication and work ethic. I'd also like to thank the Southwest Energy Efficiency Project's (SWEET's) Jeff Schlegel, APS, TEP, Grand Canyon States Electric Coop and other participating cooperatives, Southwest Gas, Chuck Goldman from Lawrence Berkeley National Labs (LBNL) Ralph Cavanagh from the Natural Resources Defense Council(NRDC) and Wayne Shirley and Jim Lazar from the Regulatory Assistance Project (RAP) for their detailed analysis.

Following are my comments and questions in this matter, and request that parties be prepared to address these questions during our Open Meeting discussion. Also, the issue of how to apply decoupling to various customer classes appears to be a key issue, and I request that the utilities and other stakeholder address this issue in the forthcoming Open Meeting and future decoupling discussions.

Questions for parties and stakeholders

1. How would decoupling be affected in a low or no-growth scenario?
2. During the presentations, Wayne Shirley from RAP presented information that a mere 2% drop in sales would result in an astounding 24% in profits; while a 5% drop in sales would result in a 59% drop in profit. Do the parties and stakeholders agree with Mr. Shirley's estimation?
3. During the April 15-16, 2010 workshops, utilities stated that environmental benefits would accrue from deferring new generation infrastructure.¹ What specific 'environmental benefits' would the utilities include? For example, would the cost of transportation and disposal of coal ash; or reduced mercury and hazardous air pollutants, sulfur dioxides and nitrogen oxides be included?
4. Please explain at in plain language at the Open Meeting where this will be discussed how the "dead-band" concept works.

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¹ TR Vol II, Pg 201, 10-13

Questions for AECC

5. I understand that Arizonans for Electric Choice and Competition (AECC) are opposed to decoupling.² Could decoupling be designed so that AECC's concerns about return on equity are addressed?
6. AECC stated that How would decoupling affect the lower rate paid by industrial users? What do AECC's various industrial users pay for electricity in cents/kWh?
7. Does AECC think decoupling will cause rate increases, and if so, why?
8. Could decoupling be designed so that it takes into account the fact that industrial classes do not contribute to fixed costs? Should the fact that industrial classes do not contribute to fixed costs be addressed in upcoming rate cases?
9. AECC says that jurisdictions with decoupling have segregated all or some non-residential customers. Which jurisdictions, and what was the result?

Questions for AIC

10. During the workshops, the Arizona Investment Council (AIC) commented that Arizona's new high EES will require that customers be engaged about the benefits of energy efficiency and decoupling.³ Does the AIC have any ideas on how to educate customers?

Questions related to the Affect of Climate Change and Weather on Decoupling

11. Global climate change is real, and it is affecting Arizona and the Southwest. A March 2008 report by NRDC titled *Hotter and Drier: The West's Changed Climate*, states that in the five-year period from 2003 to 2007, Arizona's average temperature increased a stunning 2.2 degrees Fahrenheit as compared to 20th century averages.⁴ Do the utilities have a plan to continue to monitor the increased temperatures and drought predicted by the Intergovernmental Panel on Climate Change?⁵

Please note that I am committed to working with all stakeholders to find a decoupling solution that will work to benefit both Arizona's ratepayers and impacted utilities.

Sincerely,



Paul Newman
Commissioner

² TR Vol II, Pg 284, 5.

³ TR Vol II, Pg 294, 13-22.

⁴ The report can be found at: <http://www.nrdc.org/globalwarming/west/fwest.pdf> - page 1.

⁵ <http://www.ipcc.ch/>

ORIGINAL and 13 COPIES of the foregoing **FILED** this 2nd day of November 2010 with:

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